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Deborah Person

From:

glenn smith [

Sent:

Monday, May 17, 2010 9:40 AM

To: Cc:

Kennedy-Web; Pierce-Web; Newman-Web; Mayes-WebEmail; Stump-Web Deborah Person; Legal Div - Mailbox; Utilities Div - Mailbox; cfraulob@azruco.gov

Subject:

Public Comment: DOCKET NO. W-01303A-09-0343 AND DOCKET NO.

SW-01303A-09-0343 - PHASE II

Dear Chairman Mayes and Commissioners:

I am Glenn Smith, a resident of Scottsdale living in the area where water is supplied by Arizona American Water Company. I am active in a group called, Scottsdale Citizens for Sustainable Water or SWAT. Swat includes in it membership 17 homeowners associations with over 1400 owners.

Although public comment is apparently less valuable than that of staff or interveners, ("The applicant may submit testimony in response to staff and intervener testimony." (E-Docket Anatomy of a Rate Case)) I nevertheless respectfully request that the following public comment be considered as a summation of staff and intervener testimony. In the event that new ideas are presented herein, please give them your thoughtful consideration.

Respectfully submitted,

Glenn W. Smith

Scottsdale, AZ 85250-4526

Copy: Administrative Law Judge Wolfe

RUCO

Arizona Corporation Commission DOCKETED MAY 18 2010 DOCKETED BY

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Rate Consolidation: DOCKET NO. W-01303A-09-0343 AND DOCKET NO. SW-01303A-09-0343 -PHASE II

Rates Based on Costs:

Rates to be paid by water customers are supposed to help the utility recover its costs. If the costs to obtain water, properly treat it and distribute it to customers is not equal from district to district, why should low-cost districts subsidize high-costs districts. This is a for-profit company practicing distribution of costs – rather than re-distribution of wealth.

AAW districts are standalone water sources tied directly to the specific distribution infrastructure but not connected to other AAW districts. This is unlike Arizona Public Service and Southwest Gas which have infrastructures that serve broad geographic areas. Power generation and natural gas are provided through supply infrastructure separate from the distribution infrastructure which serves broad geographies not related to the supply. Interchangeability of water among districts should be the primary criteria to justify uniform rates for AAW similar to APS and Southwest Gas.

If, as appears to be the case in Agua Fria/Sun City West, the separate districts are contiguous or even overlap, there might be some rationale for merging both the infrastructure and the rates. Absent interchangeability of water between the two 'districts' through interconnecting infrastructure, there remains no legitimate rationale for integrating (consolidating) the utility rate charges to water rate payers.

Costs Versus Benefits:

If we were to accept the idea of a single rate structure (Costs recovered) for eight disparate and mostly geographically dispersed districts, then all consumers in all districts should have exactly the same services and credits. For example, if any of the existing districts have programs to encourage conservation such as xeriscape conversion credits, then all customers in all districts should have that credit. Such benefits must be factored into the rate calculations for any newly-consolidated rate structure.

Due Diligence:

If the water company were to consider purchasing another private company for addition to its portfolio, they would certainly perform 'due diligence.' This would minimally include extensive investigation of the quality and durability of the water sources, the age and quality of the purification plant, the age and quality of the distribution infrastructure, quality and experience of staff in the company to be acquired. Has the ACC demonstrated and fulfilled its obligation to the rate payers to conduct thorough due diligence?

De facto District Merger:

As was stated in a recent article in the Arizona Republic (May 10, 2010 Input Sought . . .") According to Joni J. McGlothlin, external affairs manager for Arizona American Water Co., "We have urged our customers to look not at the immediate effects but at the long-term benefits of spreading out infrastructure costs across all districts." The comingling of the costs (past, present and future) amounts to de facto merger of the districts. This has the appearance of surreptitious merger of the districts and not just a consolidation of the rates. Unless, the ACC requires separate record-keeping for all assets according to the district structure immediately prior to the rate consolidation, the potential for any future re-segregation into several separate will become a near impossibility.

A skeptic or someone prone to conspiracy theories would say this looks like an effort to forever preclude the conversion of a district to a municipally-owned and operated utility. The 'new' district would be dispersed and bringing the consumers together would be a virtual impossibility. But, this is pure speculation.

Summary:

In summary, the request for rate consolidation should be denied. Staff of the ACC has provided three alternatives. Of these, the only one worthy of any discussion is Sun City and Sun City West (why not Agua Fria?). Even this is suspect: Although these districts share some common boundaries, any inter-district treatment and distribution of water is highly unlikely without major enhancements to the infrastructure which would simply increase costs - and rates - further. Even then, the purification plants are unlikely to have the capacity to provide backup capacity to one another. It must be noted that staff apparently accepted prima facie that some consolidation was reasonable because they did not suggest, "No Consolidation."